

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07
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FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC 3208
INFO AMCONSUL LENINGRAD
AMEMBASSY STOCKHOLM
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USDOC FOR BEWT

E.O. 11652: N/A
TAGS: EEWT, UR, SW
SUBJECT: FAST AND EFFICIENT HOTEL CONSTRUCTION IN THE USSR -
BY SWEDES

SUMMARY: ON THE SHORES OF THE GULF OF FINLAND IN LENINGRAD
A FIFTEEN STORY LUXURY HOTEL IS BEING BUILT WITH A SPEED
AND EFFICIENCY WHICH ASTONISHES THE LOCAL DENIZENS. THE
PLANNING, EQUIPMENT AND CONSTRUCTION OF THE HOTEL IS
BEING EXCLUSIVELY PERFORMED BY SWEDES ON A TURNKEY BASIS.
ON THE NAME (HOTEL PRIBABL TISKAYA), ARCHITECTS' SIGNATURE
AND FUTURE MANAGEMENT ARE RUSSIAN. THE HOTEL IS DUE FOR
COMPLETION BY OCTOBER 31, 1978, AND UNLIKE OTHER CONSTRUCTION
PROJECTS IN THE USSR, IT IS AHEAD OF SCHEDULE. END SUMMARY.

1. ON OCTOBER 6, E/C COUNSELOR AND LENINGRAD DPO CALLED
ON EINO SIMON, ASSISTANT SITE MANGER FOR SKANSKA CEMENTG-
JUTERIET, FOR A TOUR OF THE FIFTEEN STORY "HOTEL
PRIBALTISKAYA" WHICH THE SWEDISH FIRM IS BUILDING ON A
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TURNKEY BASIS IN LENINGRAD (ALSO SEE "EASTWEST MARKETS,"
OCT. 3). WHEN COMPLETED BY THE END OF OCTOBER, 1978,
THE HOTEL WILL OFFER 1,200 ROOMS AND 2,400 BEDS ON A GROSS
AREA OF 101,000 SQUARE METERS, WITH A VARIETY OF
RESTAURANTS, PARKING FOR 108 CARS, SHOPPING AND VARIOUS
RECREATIONAL FACILITIES. JUDGING BY THE MODEL ROOMS
INSPECTED DURING THE TOUR - INCLUDING A RIDE ON SMOOTHLY

FUNCTIONING ELEVATORS TO A CONSTRUCTION SITE ON THE 15TH STORY - SIMON'S BOAST THAT IT WILL BE THE "BEST HOTEL IN THE SOVIET UNION" (AT LEAST AT THE OUTSET) HARDLY SOUNDS EXCESSIVE. THE HOTEL IS, HOWEVER, LOCATED FAR FROM THE CENTER OF THE CITY AND THE AIRPORT AND HAS LITTLE TO ATTRACT IN ITS OWN RATHER BLEAK ENVIRONMENT.

2. ASIDE FROM SOME SIXTY SOVIET MENIAL LABORERS, THE ACTUAL CONSTRUCTION OF THE HOTEL IS VIRTUALLY AN ALL SWEDISH PROJECT. A SUBSTANTIAL AMOUNT OF WEST GERMAN AND FINNISH EQUIPMENT IS INVOLVED. (FINNISH ELEVATORS WERE ORDERED BY THE RUSSIANS TO HELP BALANCE A BILATERAL ACCOUNT.) EVERYTHING FROM THE 380 WORKMEN TO THE CARPETS, BATHTUBS AND TOILETS ARE BEING BROUGHT IN FROM SWEDEN. ALTHOUGH GROUND WAS BROKEN ONLY IN APRIL, 1976, (THE CONTRACT WAS SIGNED IN DECEMBER, 1975), THE CONSTRUCTION TEAM IS WELL ON ITS WAY TO COMPLETING THE HOTEL IN THE ALLOTTED 34 MONTHS. BUILDING PLANS VIEWED BY US OFFICERS BEAR THE NAMES OF SOVIET ARCHITECTS, WHOSE STIPULATIONS WERE TAKEN INTO ACCOUNT AND WHO DICTATED THE "SOVIET NORMS" (KITCHENS FAR FROM RESTAURANTS, UNUSUAL FIRE PREVENTION MEASURES) WHICH HAD TO BE MET. THERE IS HARDLY A RUSSIAN TO BE SEEN ON THE SITE, HOWEVER, ASIDE FROM THE GUARD. IN FACT, AS SIMON EXPLAINED, RUSSIAN VISITORS OFTEN EXPRESS AMAZEMENT AT SEEING SO FEW WORKERS OF ANY DESCRIPTION, "AND YET THE BUILDING GOES UP." GO UP IT DOES; ALMOST ALL CEMENT LIMITED OFFICIAL USE

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POURING HAS BEEN COMPLETED AND AT LEAST ONE STORY OF THE HOTEL WAS CONSTRUCTED IN A FORTNIGHT.

3. IRONICALLY, THE IDEA FOR THE HOTEL APPARENTLY WAS FIRST DISCUSSED WITH INTERCONTINENTAL BY DZHERMAN GVISHIANI, BUT THE SOVIETS BALKED AT INTERCONTINENTAL'S EFFORTS TO PUT CONDITIONS ON USE OF THE FACILITY (FOR EXAMPLE, IT WANTED AMERICAN TRAVELERS TO BE ABLE TO BOOK ROOMS THERE AT THEIR REQUEST), WHEREAS THE TURNKEY PROJECTS LETS INTOURIST MANAGE THE HOTEL IN THE CONVENTIONAL SOVIET MANNER (I.E., THE TRAVELER WILL BE PLACED BY INTOURIST IN SUCH HOTEL AS IT SEES FIT). DESPITE THE FACT THAT THE QUALITY OF THE "PRIBALTISKAYA" WILL OBVIOUSLY BE WELL ABOVE THAT OF OTHER LENINGRAD (AND SOVIET) HOTELS - AT THE OUTSET, AT LEAST - SIMON THOUGHT THAT THERE WOULD BE NO PIRCE DIFFERENTIAL FROM OTHER LUXURY CLASS INTOURIST HOTELS.

4. DESPITE A RECENT CRITICAL PIECE IN THE LENINGRAD PRESS ABOUT THE BEHAVIOR OF SWEDISH WORKMEN, SIMON STATED THAT THERE HAD BEEN NO PERSONNEL PROBLEMS. SWEDISH WORKMEN ARE ATTRACTED BECAUSE THEIR BASIC CONTRACT TERM (14 MONTHS) FREES THEM FROM SWEDISH INCOM TAX, VIRTUALLY SAVING THEM

50,000 SWEDISH CROWNS PER YEAR ON THE AVERAGE.
ACCORDING TO SIMON, THE SWEDES HAVE NO COMPLAINTS ABOUT
THEIR QUARTERS. THE WORKMEN ARE ALSO USING FOR THEIR PRIVATE
PURPOSES SOME SIXTY AUTOMOBILES PURCHASED BY SKANSKA
CEMENTJUTERIET, AN INNOVATION WHICH ALTHOUGH OUTSIDE THE
PROVISIONS OF THE CONTRACT HAS BROUGHT NO OBJECTION FROM
SOVIET AUTHORITIES. ONLY SOME TEN SWEDES HAVE HAD TO BE
"PERMITTED" BY THE FIRM TO DENOUNCE THEIR WORK CONTRACT AND
RETURN HOME. ON THE OTHER HAND, THERE HAVE BEEN A NUMBER
OF MARRIAGES TO RUSSIAN WOMEN, AND SIMON INSISTED THAT THE
WIVES WOULD BE PERMITTED TO ACCOMPANY THEIR SPOUSES OUT OF
THE USSR WHEN THE PROJECT HAS BEEN COMPLETED.

5. AFTER COMPLETION OF THE HOTEL, SIMON SAID, ANOTHER
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TWELVE MONTHS WOULD BE SPENT IN TRAINING THE STAFF BEFORE
THE HOTEL IS OPENED TO GUESTS IN LATE 1980. DURING THAT
YEAR SKANSKA WOULD HAVE THE OPTION OF SELLING ADDITIONAL
SPARE PARTS TO THE HOTEL BUT WOULD HAVE NO FURTHER RESPONSIBILITY
FOR ITS OPERATION.

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6. LENINGRAD MAY WISH TO PROVIDE ADDITIONAL COMMENTS.

7. COMMENT: SIMON'S SPECULATION THAT THE SOVIETS COULD RECOVER THE PRICE OF THE HOTEL - ABOUT \$95 MILLION - IN THREE YEARS SUGGESTS THE WISDOM OF THE SOVIETS LETTING QUALIFIED WESTERN FIRMS DO THEIR HOTEL BUILDING. WHILE FEW WESTERN COUNTRIES COULD PROBABLY AFFORD THE LUXURY OF PROVIDING A FULL TEAM OF WORKMEN, AS WELL AS ALL THE MATERIALS FOR CONSTRUCTION, THE SWIFT AND EFFICIENT PACE ON THE SHORES OF THE GULF OF FINLAND CONTRASTS WITH THE CONSTRUCTION DELAYS ELSEWHERE WHICH SOVIET PLANNERS HAVE RECOGNIZED AS A HEAVY BURDEN ON THE ECONOMY BUT WHICH THEY DO NOT HAVE THE KNACK OR THE MEANS OF PRECLUDING. WITH A HOTEL UTILIZATION RATE OF OVER NINETY PERCENT, THERE SEEMS TO BE LITTLE DOUBT THAT THE "PRIBALTISKAYA" WILL BE A PAYING PROPOSITION FOR INTOURIST.
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